

*Report  
Approved  
"IG General  
Survey  
D.D.A."*

13 January 1977

MEMORANDUM FOR: Associate Deputy Director for Administration  
FROM : James H. McDonald  
Director of Logistics  
SUBJECT : IG General Survey of the DDA

Pursuant to your request for proposed responses from the Office of Logistics to the subject report, attached hereto are drafts of suggested replies to Recommendations 9, 10, 12, and 13. The replies to Recommendations 12 and 13 have been coordinated with and concurred in by the Deputy Director of Finance.

**/s/ James H. McDonald**

James H. McDonald

Atts

cc: DD/Fin

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RECOMMENDATION NO. 9

While the recommendation appears to be a practical solution to the question of liaison with other government activities, the term "routine administrative contacts" lacks positive limits and forces a subjective judgment on the part of responsible officers. Furthermore, the Office of Logistics (OL) memorandum dated 7 September 1976 (OL 6 4467) to the Deputy Director for Administration (DD/A) requested his approval to continue a number of on-going support activities with other government agencies. Since the DD/A approved those actions on 20 December 1976, it would logically follow that the administrative contacts necessary to accomplish and continue those support functions are also authorized. Therefore, the implementation of the recommendation as it is currently stated would be redundant and an unnecessary action.

RECOMMENDATION NO. 10

The Office of General Counsel has been requested to establish a legal position on the Agency's authorities to dispose of obsolete, but sensitive materiel.

RECOMMENDATION NO. 12

Recommendation 12 suggests the establishment of a quicker system of invoice processing and payment to contractors. We agree that slow payment to contractors has been a problem over the years but not for the reason stated in Paragraph B.1 (page 25) of the audit report. There is no problem with processing of invoices from OL to OF since invoices are, in most cases, mailed directly to the Certification and Audit Division within OF. The problem has been the time involved with performance of required tests and inspection necessary for acceptance and the processing of the receiving report to OF where it must be matched up with the contractor invoice prior to payment.

A procedure which does provide for expedited payment to selected contractors was developed in late 1975 between OF and OL. This procedure  dated 18 December 1975) allows issuance of interim receiving reports upon physical receipt of property and, while it has been in effect for only one year, has already contributed greatly to solving the problem in question.

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Over the past two years a task force consisting of Supply Division/OL and Audit and Certification/OF  has met regularly to identify problem areas, to recommend corrective actions, and to develop new procedures aimed toward expediting payments. In addition to the quick-pay procedures previously cited, the task force has arranged an exchange of tours and briefings between OL/SD and OF/A&C

personnel and is currently exploring the feasibility of inputting receiving information into an ADP system which would assist A&L/OF in the processing of invoices.

In summary we have already made substantial progress toward solving the problem of slow vendor payments. We will continue to work on this problem to reduce even further the interval between receipt of supplies and payment to vendors.

RECOMMENDATION NO. 13

Recommendation 13 suggests that the DDA address the issue of establishing written standards on waiving OF contract audits of small dollar procurement contracts. This subject, along with others mentioned in the narrative portion of paragraph B.2, has been discussed at some length between representatives of OF and OL in the course of working out a Memorandum of Understanding between these two offices on interface relationships. The current proposal by OL is that "OF/CSAD will audit all cost-type or fixed-price contracts containing price redetermination audit provisions which are in excess of \$10,000 or any other contracts which the C.O. or the C/CSAD determines should be audited." This language establishes a general rule but retains flexibility which would allow either OF or OL to request audit on small dollar contracts if such action seems warranted. This is not a significant problem and will be resolved when the Memorandum of Understanding between OF and OF is executed. The procedure included in the draft Memorandum of Understanding is consistent with that of the Defense Contract Audit Agency.